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APPROVAL OF UNDP ASSISTANCE TO A PROJECT OF
VENEZUELA

IPF:(1992-96) $ 3 728 000

(VEN/93/005) - Modernization of Customs

Date of approval by the AC:[1/]	2 June 1993
Expected duration:	Three years
Proposed executing agency:	Ministry of Finance
Government implementing agency:	Ministry of Finance
Government cost sharing:	$ 5 101 200
Previous UNDP contribution:	$ 46 900
Total UNDP budget:	$ 5 148 100

Project background

Following world trends towards global markets and trade liberalization, in 1989 the Government of Venezuela established a new set of policies geared to the progressive elimination of trade barriers and improved access of national producers and consumers to international markets. An illustrative outcome of the aforementioned opening is the establishment of the subregional Free Trade Zone amongst the countries of the Andean Group (Colombia, Peru, Bolivia and Ecuador) during the period 1991-93. The resulting market comprises over 92 million people, a GDP of(US)$ 150,000 million, purchasing power of (US)$ 23,000 million and an intra-regional trade growth of 35 percent per year.

The implementation of the new trade policies and of their further development, requires a modern custom infrastructure, productive and efficient, capable of responding to the actual requirements of international trade. This implies an organization based on clear procedures and operational guidelines, effective in handling technical and administrative processes, equipped with timely and accurate information, and endowed with a well-defined legal framework. At present, Venezuelan Customs reflect years of neglect, a prolonged lack of managerial standards for administration, a deficient technological support infrastructure and arbitrary human resources policies. As the average promotion time span is 11 years, 98 percent of employees earn a monthly wage equivalent to two minimum salaries; and only 27 percent of workers have an education level beyond high school. There are no incentives, nor training policies to entice personnel retention. Furthermore, there is a high degree of centralization of operative functions, post descriptions are diffuse; and organization manuals are nonexistent. Most of the administrative and field operations are not automated, the communication flows are not well defined; and there is no technical capacity to produce the required information and statistical reports on a timely and accurate basis.

Yet, in 1992 Venezuela's customs handled an imports volume of (US)$ 12,283 millions and

[1/] This Fact Sheet reflects the status of the project/revision at the time it was approved by the Action Committee; modifications to the project/revision may have occurred subsequently.

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(US)$ 2,609 millions of non-oil exports. Customs service was provided through 15 main customs and 22 agencies, staffed with a total of 1300 employees. The estimated income to be generated in 1993 through customs levies is approximately (US)$ 1,000 millions. Some of the problems resulting from the situation previously mentioned include: (i) weak control of tax evasion and illicit trade; (ii) lack of capacity to enforce sanitary norms, environmental regulations, security regulations and antidumping practices; and (iii) sluggishness in the customs clearance process. Acting upon the recommendations outlined in several diagnostics and indepth studies, among those "Venezuela: Guidelines for the reform of Customs Administration" prepared by the IMF, the Government of Venezuela recently transferred customs operations from the Ministry of Finance to a newly created autonomous institution "Aduanas de Venezuela Servicio Autonomo" (AVSA) in order to replace the old fashioned "alcabala" (levy recollector) concept, for a modern organization, self-financed and empowered with administrative flexibility to perform effectively in a changing and competitive environment.

Description of project

The immediate objective of the project is to support the operationalization of AVSA, ensuring the institutional capacity for fulfilling the control and revenue generating functions which have been assigned to it. The project will address the five critical areas of customs operations, namely, information technology, organization, management control, legal structure and human resources.

Project activities will include : (i) implementation and computerization of the administrative information system at AVSA headquarters and agencies; (ii) adaptation and implementation of UNCTAD's system of customs operations ASYCUDA; (iii) interconnection of the administrative information system and ASYCUDA into local and national computer networks; (iv) design and implementation of an organizational structure for AVSA; (v) design and implementation of a management control system; (vi) preparation of a set of internal regulations; (vii) preparation of an amendment proposal to the Organic Customs Law; (viii) preparation of a proposal for the Customs By-Laws; (ix) technical, managerial and administrative training of all AVSA staff; and (x) sensitizing of external users to the concept of modern customs.

Inputs

UNDP will provide 90 work-months of international personnel for consultancies in customs operations and customs information technology, 375.5 work-months of national personnel in project management and coordination, organization, legal framework, human resources, information technology and infrastructure; 148 work-months of administrative support personnel; nine subcontracts for specific consultancies in administrative information systems, management control, legal framework, organization, corporate image, external user sensitizing, training, telecommunications; hardware and software for information processing and telecommunication; training and office equipment; one vehicle, study tours and in-service training.

Financial data

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Personnel	1 317 600
Subcontract	2 106 000
Training	93 000
Equipment	1 545 600
Miscellaneous	39 000
Total	5 101 200

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